

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 PA-01 PRS-01 IO-10 /111 W
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R 091516Z JUN 75

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 9670

INFO AMEMBASSY LONDON

AMCONSUL KADUNA

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E.O. 11652: N/A

TAGS: ENRG, BTRA, NI

SUBJECT: OCCIDENTAL PETROLEUM

1. DR. ARMAND HAMMER, OCCIDENTAL'S CHAIRMAN AND CHIEF EXECUTIVE OFFICER, IS CURRENTLY VISITING NIGERIA, IN PART TO INSPECT THE OCCIDENTAL/HOLIDAY INNS HOTELS UNDER CONSTRUCTION IN LAGOS AND KADUNA. HE FLEW JUNE TO KADUNA AND PLANS TO RETURN LAGOS JUNE 9 OR 10 IN ORDER TO SEE GENERAL GOWON. IF HE SUCCEEDS IN OBTAINING APPOINTMENT, HE SAYS HE WILL TELL GOWON THAT UNLESS HE INTERVENES PERSONALLY TO OBTAIN BETTER DEAL FOR OCCIDENTAL'S EXPLOITATION OF ITS OFF-SHORE OILDISCOVERIES, OXY WILL PROBABLY HAVE TO WRITE OFF ITS NIGERIAN OIL INVESTMENT AT THE END OF THIS YEAR.

2. HAMMER TOLD ME AT BREAKFAST AT RESIDENCE JUNE 7 THAT MINISTRY OF MINES AND POWER PERMSEC ASIODU (SEPTTEL) HAS AGREED TO VISIT OXY'S PROTOTYPE PLANT FOR EXTRACTING OIL FROM SHALE IN COLORADO THIS WEEK. HAMMER SAYS OXY'S PATENTED IN SITU PROCESS IS
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INFINITELY SUPERIOR TO ALL OTHER COMPETING SCHEMES AND CAN BE

PROFITABLE AT PRODUCTION COST OF \$6 TO \$7 PER BARREL. ALTHO OXY'S LIMITED SHALE PROPERTIES "COULD PRODUCE ONLY 30,000 BARRELS A DAY FOR FIFTEEN YEARS," OXY EXPECTS SOON TO OBTAIN LEASE ON TWO USG PROPERTIES OF FAR GREATER EXTENT AND PRODUCTIVITY. HE SAID THAT OXY'S PRESENT HOLDINGS COULD PRODUCE ONLY 13 GALLONS OF PETROLEUM PER TONS OF SHALE, BUT THE NEW LEASES WOULD PRODUCE FROM 25 TO 30 GALLONS.

3. COMMENT. OCCIDENTAL HAS SPENT \$33.2 MILLION IN OFFSHORE OIL EXPLORATION HERE AND HAS TWO 1972 DISCOVERIES IN VERY DEEP WATER. DEVELOPMENT WOULD BE VERY EXPENSIVE AND RISKY, BUT NIGERIAN GOVERNMENT HAS TO DATE BEEN UNSYMPATHETIC TO OXY'S PROPOSALS FOR JOINT VENTURE WITH DEMINEX OR SPECIAL TERMS (SEE PIW FOR APRIL 7). OXY HAS SUSPENDED ALL PETROLEUM ACTIVITY, AND LAST OF OPERATING PERSONNEL LEFT LAST WEEK. THE TWO HOTEL PROJECTS, ON OTHER HAND, APPEAR TO BE MOVING AHEAD RAPIDLY AND ARE ATTRACTING MUCH FAVORABLE COMMENT LOCALLY. CONSTRUCTION IS IN THE HANDS OF CONSULTANTS AND CONTRACTORS (BECHTEL AND THE BULGARIAN FIRM TECHNOEXPORTSTROY IN LAGOS AND SAVAGE CONSTRUCTION IN KADUNA), OXY IS MAINTAINING ONLY ONE (OR TWO) OF ITS OWN PEOPLE IN NIGERIA. AMONG THE INTERESTS THEY ARE PURSUING IS THE DOMESTIC REFINERY SCHEDULED TO BE BUILT IN KADUNA. THE GOVERNMENT WANTS TO ACCELERATE THIS PROJECT AND RECENTLY APPROACHED SEVERAL REFINING COMPANIES FOR ASSISTANCE (AMONG WHICH EXXON AND MOBIL), BUT OXY FEELS IT HAS QUICKEST MEANS TO PUT A NEW REFINERY IN NIGERIA--DIVERT ALL OF THE EQUIPMENT WHICH HAS BEEN MANUFACTURED FOR THE RECENTLY CANCELLED 120,000 BARREL A DAY REFINERY OXY HAD PLANNED TO BUKLD AT CANVEY ISLAND IN THE U.K.

EASUM

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